

From Bricks and Mortar to Online Retailing

In this exercise, you need to review the key findings from a recognized industry forecasting firm regarding the potential impact of online retailing on traditional shopping centers and retailers. The challenge is to determine the best way forward for these traditional retailers.

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Traditional shopping centers (shopping malls) are under significant pressure to adapt to a changing macro-environment, as shoppers demand more attractive experiences and increasingly move online.

This prediction was made by property market forecaster BIS Shrapnel who expect that shopping centers be challenged as online retailing takes a larger share of total shopping dollars, and as competition between established stores increases.

According to Senior Project Manager at BIS Shrapnel, Maria Lee,

"If you've got a much lower level of turnover growth and you're getting the internet taking share away, then it is a lot more difficult to cope with and certainly some shopping centers are going to get squeezed. We'll see a gradual change in the tenancy mix and, hopefully, see shops becoming a little bit more exciting, in trying to create a point of difference between shopping in a physical store and shopping online."

However, Ms Lee said, shopping centers were beginning to adapt, highlighted by the growth in beauty stores, cafes and restaurants at the expense of book stores, CD and DVD stores.

BIS Shrapnel's Retail Property Market Forecasts and Strategies 2012 to 2022 report predicts growth in retail turnover to be 2.9% over the next five years. The report also indicates that online shopping would continue to take market share from bricks and mortar shops, peaking at around 15 to 20 per cent of total retailing.

Student Discussion Questions

1. What are the main macro-environmental forces in the above news item?
2. Do these forces/changes represent opportunities or threats for firms? Why?
3. Why are some retail formats growing (e.g. beauty stores), whereas others are declining (e.g. book stores)?
4. What is meant by "see shops becoming a little bit more exciting"? Is this a financially feasible option for firms already under increasing competitive pressure?
5. If you worked for a major retailer, what would be your recommendations in order to survive and prosper in this new environment?